

OCT 24 2001

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

DEPT. OF INSURANCE  
BY CB

In the Matter of:

**CENTRAL MUTUAL INSURANCE COMPANY,**

NAIC # 20230,

Respondent

) Docket No. 01A-243-INS

) CONSENT ORDER

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of Central Mutual Insurance Company ("Central"). The Report of Examination of the Market Conduct Affairs of Central alleges that Central has violated A.R.S. §§20-461, 20-1632.01 and A.A.C. R20-6-801.

Central wishes to resolve this matter without formal proceedings, neither admits nor denies that the following Findings of Fact are true, and consents to the entry of the following Conclusions of Law and Order.

**FINDINGS OF FACT**

1. Central is authorized to transact property and casualty insurance, pursuant to a Certificate of Authority issued by the Director.

2. The Examiners were authorized by the Director to conduct a market conduct examination of Central. The on-site examination covered the time period from January 1, 1995, through June 30, 1998, and was concluded on October 23, 1998. Based on the findings the Examiners prepared the "Report of Examination of the Market Conduct Affairs of Central Mutual Insurance Company" dated October 23, 1998.

1           3.     The Examiners reviewed 65 of 4,122 personal automobile policies  
2 cancelled or nonrenewed by the Company during the time frame of the examination  
3 and found that Central sent 65 Notices of Cancellation after the seven day grace  
4 period that failed to indicate that the cancellation was effective on the date the Notices  
5 were mailed.

6           4.     The Examiners reviewed 9 first party automobile total loss claims settled  
7 by the Company during the time frame of the examination and found that Central  
8 settled five first party total loss claims without paying the appropriate sales taxes  
9 and/or air quality fees.

10          5.     The Examiners reviewed six third party total loss claims settled by the  
11 Company during the time frame of the examination and found that Central failed to pay  
12 the appropriate taxes and air quality fees to three claimants.

13          6.     Central has reimbursed personal automobile insureds and claimants a  
14 total of \$345.12 plus \$46.76 interest for unpaid taxes and fees and premium  
15 overcharges.

#### 16                                   **CONCLUSIONS OF LAW**

17          1.     Central violated A.R.S. §20-1632.01(B) by failing to send Notices of  
18 Cancellation for nonpayment of premium to automobile policyholders after the seven  
19 day grace period that are effective on the date mailed.

20          2.     Central violated A.R.S. §20-461(A)(6) and A.A.C. R20-6-801(H)(1)(b) by  
21 failing to pay appropriate taxes and air quality fees on first party total loss settlements.

22          3.     Central violated A.R.S. §20-461(A)(6) by failing to pay appropriate taxes  
23 and air quality fees on third party total loss settlements.

24          4.     Grounds exist for the entry of the following Order in accordance with  
25 A.R.S. §§20-220 and 20-456.



**ORDER**

**IT IS ORDERED THAT:**

1. Central Mutual Insurance Company shall cease and desist from:

a. Failing to send notices of cancellation for nonpayment of premium to automobile policyholders after the seven day grace period that are effective on the date mailed.

b. Failing to pay appropriate taxes and air quality fees on first party total loss settlements.

c. Failing to pay appropriate sales taxes and air quality fees on third party total loss settlements.

2. Within 90 days of the filed date of this Order, Central shall submit to the Arizona Department of Insurance, for approval, evidence that corrections have been implemented and communicated to the appropriate personnel, regarding all of the items listed above in Paragraph 1 of the Order section of this Consent Order. Evidence of corrective action and communication thereof includes but is not limited to memos, bulletins, E-mails, correspondence, procedure manuals, print screens and training materials.

3. The Department shall be permitted, through authorized representatives, to verify that Central has complied with all provisions of this Order.

4. Central Mutual Insurance Company shall pay a civil penalty of \$4,000 to the Director for deposit in the State General Fund in accordance with A.R.S. §20-220(B). This civil penalty shall be provided to the Market Conduct Examinations Section of the Department prior to the filing of this Order.

1           5.     The Report of Examination of the Market Conduct Affairs of Central  
2 Mutual Insurance Company dated October 23, 1998, including the letter submitted in  
3 response to the Report of Examination, shall be filed with the Department after the  
4 Director has filed this Order.

5           DATED at Phoenix, Arizona this 23<sup>rd</sup> day of October, 2001.

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8 Charles R. Cohen  
9 Director of Insurance  
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**CONSENT TO ORDER**

1. Central Mutual Insurance Company has reviewed the attached Consent Order.

2. Central Mutual Insurance Company admits the jurisdiction of the Director of Insurance, State of Arizona, neither admits nor denies the foregoing Findings of Fact, and consents to the entry of the Conclusions of Law and Order.

3. Central Mutual Insurance Company is aware of its right to a hearing, at which it may be represented by counsel, present evidence and cross-examine witnesses. Central Mutual Insurance Company irrevocably waives its right to such notice and hearing and to any court appeals related to this Order.

4. Central Mutual Insurance Company states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

5. Central Mutual Insurance Company acknowledges that the acceptance of this Order by the Director of Insurance, State of Arizona, is solely to settle this matter against it and does not preclude any other agency or officer of this state or its subdivisions or any other person from any other civil or criminal proceedings, whether civil, criminal, or administrative as may be appropriate now or in the future.

6. F. W. Purmort, III, who holds the office of President of Central Mutual Insurance Company, is authorized to enter into this Order for it and on its behalf.

**CENTRAL MUTUAL INSURANCE COMPANY**

10/15/01

Date

By: [Signature]



1 COPY of the foregoing mailed/delivered  
2 This 24th day of October 2001, to:

3 Sara Begley  
4 Deputy Director  
5 Mary Butterfield  
6 Assistant Director  
7 Consumer Affairs Division  
8 Paul Hogan  
9 Chief Market Conduct Examiner  
10 Market Conduct Examinations Section  
11 Deloris E. Williamson  
12 Assistant Director  
13 Rates & Regulations Division  
14 Steve Ferguson  
15 Assistant Director  
16 Financial Affairs Division  
17 Nancy Howse  
18 Chief Financial Examiner  
19 Financial Affairs Division  
20 Alexandra Shafer  
21 Assistant Director  
22 Life & Health Division  
23 Terry Cooper  
24 Manager  
25 Fraud Unit

17 DEPARTMENT OF INSURANCE  
18 2910 North 44th Street, Second Floor  
19 Phoenix, AZ 85018

19 Kent Bradford, General Counsel  
20 Central Mutual Insurance Company  
21 P. O. Box 351  
22 Van Wert, OH 45891-0351

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